

Message Text

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ORIGIN EA-10

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

LIMITED OFFICIAL USE STATE 120536

E.O. 11652: N/A

TAGS:

SUBJECT: BATAAN PULP AND PAPER CORP

REF: MANILA 6986

1. OUR CONCERN IN THIS PROBLEM IS TO ENABLE BATAAN PULP AND PAPER CORP TO CONTINUE OPERATIONS WHILE MEETING PHILIPPINE LEGAL REQUIREMENTS AND WITHOUT FURTHER, AVOIDABLE, CASH LOSS TO US GOVERNMENT. WOULD LIKE TO END USG INVOLVEMENT IN COMPANY IF AND WHEN POSSIBLE, BUT ONLY SUBJECT TO THESE CONDITIONS.

2. DECISION ON HOW TO ACHIEVE THESE GOALS STILL REQUIRES RESPONSES TO FOLLOWING QUESTIONS, WHICH WE WILL NEED BY IMMEDIATE CABLE IF ANY ACTION IS TO BE TAKEN BY MAY 27.

A. IF PREFERRED SHARES ARE TO BE SOLD, WHAT EVIDENCE IS LIMITED OFFICIAL USE

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THERE THAT A MARKET WOULD EXIST FOR THESE NON-VOTING, NON-

INCOME BEARING SECURITIES? WHAT PRICE COULD REASONABLY BE EXPECTED FOR THEM UNDER PRESENT CIRCUMSTANCES? HOW WOULD WE JUSTIFY DECISION TO SELL THEM AT DISCOUNT IN WHAT WOULD AMOUNT TO A FIRE SALE OF THE SORT WE HAVE LONG EMPHASIZED

THE NEED TO AVOID? HAVE THERE BEEN CONSULTATIONS WITH PHILIPPINE FINANCIAL EXPERTS, AND WITH WHAT RESULT?

B. COULD BATAAN CORP BUY THESE SHARES AND WARRANTS OR SIGNIFICANT PORTION THEREOF AT PAR VALUE WITHOUT INCURRING INSUPPORTABLE CASH OUTFLOW?

C. HAS EMBASSY/MISSION OBTAINED FROM GOP A SPECIFIC OPINION REGARDING LEGAL EFFECT OF PREFERRED SHARES WITH REGARD TO MEETING PHILIPPINE OWNERSHIP REQUIREMENTS? OR IS JUDGMENT ON THIS SUBJECT CONTAINED REFTEL THAT OF LETTER'S AUTHOR? WHO SIGNED THAT LETTER AND IN WHAT CAPACITY?

D. IF PREFERRED SHARES ARE TO BE SOLD WOULD SALE HAVE TO BE CONSUMMATED BY MAY 27, OR WOULD IT MEET GOP CRITERIA FOR BONA FIDE NEGOTIATING OFFER IF THEY ARE OFFERED ON OPEN MARKET AT PAR VALUE BY THAT DATE?

E. WHAT IS BASIS FOR OBJECTION TO PROCEDURE FOR WHICH AID/W HAS PREVIOUSLY STATED PREFERENCE, WHEREBY SHARES WOULD BE CONVERTED TO LONG-TERM DEBENTURES NOW, INSTEAD OF AFTER 1981?

F. WHAT IS BATAAN CORP EXPECTED TO DO IN ORDER TO COMPLY WITH RECOMMENDATION CONTAINED REFTEL REGARDING TRANSFER OF SHARES AND WARRANTS? INGERSOLL

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